

Message Text

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ACTION EUR-25

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TAGS: ECON, EEWT, GE, COMECON, NATO

SUBJECT: NAC MEETING SEP 25, AGENDA ITEM II: RECENT ECONOMIC
DEVELOPMENTS IN GDR

REF: A) USNATO 4031 (NOTAL); B) STATE 209486 (NOTAL)

SUMMARY. COUNCIL DISCUSSION OF SUBJECT REPORT CENTERED AROUND ABILITY
OF GDR TO ACHIEVE ECONOMIC GROWTH WITHOUT SEVERE INFLATIONARY
PRESSURES DESPITE INCREASING INTERFERENCE BY SOVIETS IN INDUSTRIAL
MANAGEMENT AND RESTRICTIONS IMPOSED BY COMECON INTEGRATION.
ITALIAN AMBASSADOR CATALANO CALLED ATTENTION TO SPECIAL DUTY-FREE
ACCESS GDR STILL ENJOYS TO FRG MARKET AND CAUTIONED, THEREFORE,
THAT GENERALIZATIONS REGARDING OTHER EASTERN EUROPEAN COUNTRIES
CANNOT BE MADE ON BASIS GDR EXPERIENCE. SEVERAL COUNCIL MEMBERS
SUGGESTED UPDATED REPORTS ON ALL COMECON COUNTRIES TO BE CONSIDERED
AT POLITICAL LEVEL, PERHAPS AT DECEMBER MINISTERIAL. SUCH REPORTS
WILL BE AVAILABLE AS REFERENCE DOCUMENTS FOR ALLIANCE MEMBERS
TO RAISE FOR DISCUSSION IF THEY WISH. END SUMMARY.

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1. SYG LUNS INVITED COUNCIL DISCUSSION ECONOMIC COMMITTEE
REPORT ON RECENT DEVELOPMENTS IN THE GDR (C-M(74)48) BY NOTING
THAT IN PRESENT UNCERTAIN ECONOMIC CONDITIONS IT IS INCREASINGLY
IMPORTANT FOR ALLIANCE TO APPRIASE ECONOMIC DEVELOPMENTS IN WARSAW

PACT COUNTRIES. LUNS SAID IT WAS INTERESTING THAT ALTHOUGH THE GDR WAS A HIGHLY INDUSTRIALIZED COUNTRY HEAVILY DEPENDENT ON OIL IMPORTS, ITS ECONOMY HAS BEEN LESS ADVERSELY AFFECTED SO FAR THAN HAVE WESTERN ECONOMIES. HE ADDED THAT IT WOULD BE INTERESTING TO OBSERVE WHETHER IN 1975 SOVIETS WILL SELL OIL TO THE GDR AT PRICES MORE FAVORABLE THAN WORLD MARKET PRICES, THEREBY INCREASING THE FRG'S DEPENDENCY ON USSR. LUNS NOTED THE REPORT SHOWS THAT WHILE 1973

WAS A GOOD YEAR FOR THE GDR, DIFFICULTIES AND STRESSES BECAME MORE EVIDENT AS A RESULT OF DISAGREEMENT OVER EXCESSIVE IDEOLOGICAL CONSIDERATIONS AFFECTING MANAGEMENT OF THE ECONOMY. HE ALSO NOTED THAT ALTHOUGH GDR EXPORTS OF CONSUMER AND INDUSTRIAL GOODS ARE GROWING, THE INCREASE TO THE WEST MAY BE SLIGHT BECAUSE OF STRONG PRESSURES FOR GREATER INTEGRATION IN COMECON. LUNS OBSERVED THAT MANNER IN WHICH GDR RELATIONS DEVELOP WITH THE WEST, OTHER COMECON COUNTRIES, AND THIRD WORLD MAY PROVIDE INDICATION OF WHAT TO EXPECT IN OTHER WARSAW PACT COUNTRIES.

2. KRAPF (FRG) SUPPLEMENTED REPORT WITH THREE OBSERVATIONS FRG CONSIDERS INTERESTING AND IMPORTANT: (A) THE NEGATIVE INFLUENCES OF RISING PRICES ARE NOT AS EVIDENT IN GDR AND OTHER WARSAW PACT ECONOMIES AS IN WESTERN NATIONS; (B) GDR EXPERIENCING INCREASING DIFFICULTIES AS RESULT OF DIRECT INTERVENTION OF SOVIET AGENCIES INTO FACTORY MANAGEMENT, DISREGARD OF AGREEMENTS BETWEEN GDR AND USSR, AND UNCERTAINTY FOR PLANNERS OVER IMPORT REQUIREMENTS; (C) FOR ITS FUTURE DEVELOPMENT GDR ANTICIPATING LARGE IMPORTS FROM WEST, PARTICULARLY OF LABOR SAVING EQUIPMENT.

3. CATALANO (ITALY) COMPLIMENTED ECONOMIC COMMITTEE ON VALUABLE REPORT, BUT ADDED IT DIFFICULT TO DRAW CONCLUSIONS FROM IT APPLICABLE TO OTHER EASTERN EUROPEAN COUNTRIES. THIS PARTICULARLY SO, HE SAID, BECAUSE GDR IN MUCH MORE FAVORABLE POSITION THAN OTHER COMECON MEMBERS DUE TO SPECIAL AGREEMENT IN TREATY OF ROME THAT FOR POLITICAL REASONS EAST GERMAN GOODS WOULD ENJOY DUTY-FREE ENTRY INTO THE FRG. (COMMENT: ALTHOUGH HE DID NOT SAY SO DIRECTLY, CATALANO'S STATEMENT PROBABLY MEANT TO EXPRESS DIS-LIMITED OFFICIAL USE
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SATISFACTION OF ITALY AND SOME OTHER EEC MEMBERS THAT GDR STILL ENJOYS DUTY FREE ACCESS TO COMMON MARKET EVEN THOUGH FRG HAS ESTABLISHED DIPLOMATIC RELATIONS.)

4. MENZIES (CANADA) SAID THAT AS MAJOR WORLD TRADER, CANADA INTERESTED IN EXPANDING TRADE WITH EASTERN EUROPEAN COUNTRIES, BUT WILL NOT HAVE TRADE AGREEMENT WITH GDR UNTIL DIPLOMATIC RELATIONS ESTABLISHED. MENZIES ASSOCIATED HIMSELF WITH ATTENTION CALLED BY KRAPF TO IMPORTANCE OF WATCHING DEVELOPMENTS IN GDR-USSR RELATIONS. HE EXPRESSED AMAZEMENT THAT GDR ABLE TO MAINTAIN PRODUCTION SO EFFECTIVELY DESPITE SOVIET INTERFERENCE IN MANAGEMENT.

5. SVART (DENMARK) INTERJECTED THAT COMMON SAYING IN DIPLOMATIC

COMMUNITY IN MOSCOW WAS THAT IF COMMUNISM CAN WORK ONLY GERMANS CAN MAKE IT WORK. KRAPF ADDED THAT MINISTER STRAUSS HAD ONCE CAUTIONED RUSSIANS NOT TO TRY TO INTRODUCE COMMUNISM INTO GERMANY OR THEY WOULD BE SURPRISED.

6. DE STAERCKE (BELGIUM) SAID REPORTS ON WARSAW PACT ECONOMIES INCREASINGLY SIGNIFICANT BECAUSE OF FUNDAMENTAL IMPORTANCE OF ECONOMICS IN CURRENT WORLD DEVELOPMENTS. HE SUGGESTED THAT UPDATED REPORTS ON ALL COMECON COUNTRIES BE PREPARED SO THAT CONSIDERATION CAN BE GIVEN AT POLITICAL LEVEL TO SIGNIFICANCE FOR BROADER E-W RELATIONS. PECK (UK) AND MENZIES SUPPORTED SUGGESTION, AND LATTER ASKED WHETHER SUCH A SYNTHESIS COULD BE PREPARED BEFORE DECEMBER MINISTERIAL. ACTING ECONOMIC DIRECTOR DEBUNNE SAID ECONOMIC DIRECTORATE TRADITIONALLY PREPARED PAPER ON RECENT SOVIET AND EASTERN EUROPEAN ECONOMIC DEVELOPMENTS AS REFERENCE DOCUMENT, AND THAT IT WOULD BE UP TO ALLIANCE MEMBERS TO DECIDE IF THEY WANT TO RAISE FOR DISCUSSION AT MINISTERIAL.
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